

Business Investment and Sales Programs for 1965

Expansion Continues Into Fifth Year

BUSINESSMEN'S 1965 capital budgets provide for continuing increases in expenditures for new plant and equipment throughout the year. Current plans call for aggregate outlays of \$50.2 billion—\$5¼ billion, or 12 percent, more than 1964.¹ Increased budgets for 1965 are found in all major industry groups, according to the results of the regular survey of business spending intentions, conducted in February by the U.S. Department of Commerce and the Securities and Exchange Commission.

Expenditures in the final quarter of 1964 were at a record seasonally adjusted annual rate of \$47.8 billion, up \$2 billion from the third quarter. Spending is expected to rise to \$48.8 billion in the first 3 months of this year, and to \$49.7 billion in the second quarter, and still further in the last 6 months of 1965 to an annual rate of \$51 billion. All industry groups show continued increases in capital outlays through the year except the nonrail transportation industry, which expects second-half spending to hold at the first-half rate.

Actual expenditures in the fourth quarter of 1964 were \$1 billion higher, at a seasonally adjusted annual rate, than the anticipation for this quarter made in November. Nonrail transportation and manufacturing accounted for the bulk of the upward revision. The anticipations for each of the first two quarters of this year are also about \$1 billion higher than those reported in the November survey.

Higher sales expected in 1965

The survey also reveals that businessmen generally are looking forward to further sales improvement this year. In manufacturing, both durable and nondurable goods companies are anticipating advances in dollar sales of 6 percent over 1964. Trade firms and public utilities are now expecting sales to be 5 percent higher this year. In all cases these expectations suggest a small further expansion over current sales rates.

Investment demand continues high

The expected advances in outlays for new plant and equipment would extend the current investment rise into its fifth year to exceed the duration of any of the previous postwar investment expansions. The scheduled increases from 1964 to 1965, ranging from 6 percent by public utilities to 16 percent by manufacturers, are impressive, even though they do not quite match the unusually large increases from 1963 to 1964. This year's rise in investment is likely to outpace that of gross national product for the second consecutive year, after a lag in the 1958-63 period.

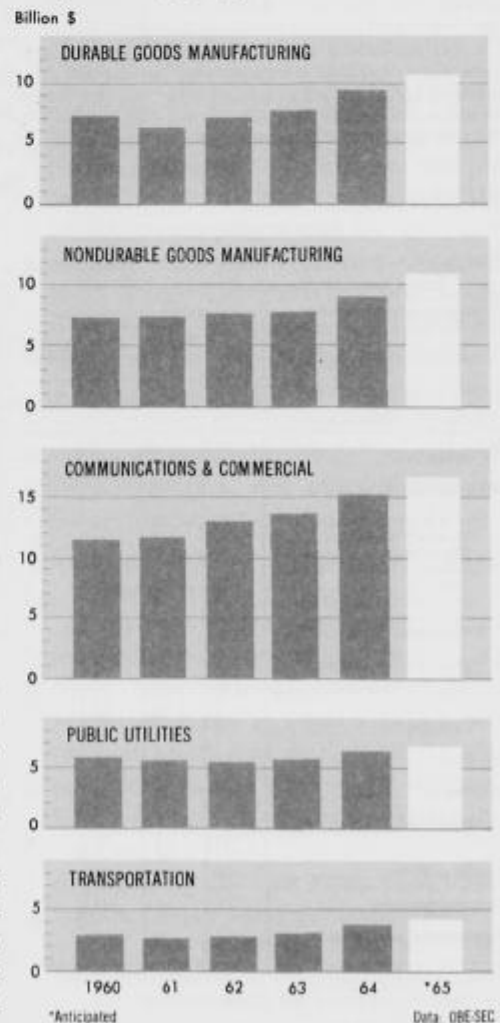
The current survey provides further indications of the basic strength in investment demand. First, expenditures for plant are expected to increase relative to those earmarked for equipment from 1964 to 1965; the increases are mild but general throughout the manufacturing and commercial groups. A shift toward plant usually connotes a greater emphasis on capacity expansion rather than on modernization and replacement. Secondly, in spite of the very substantial rise in expenditures last year, manufacturers' carry-

over of uncompleted investment projects on December 31, 1964 was two-fifths higher than at the start of last year.

CHART 4

Businessmen Expect to Spend 12 Percent More on New Plant and Equipment in 1965 than in 1964

Record outlays projected by all major industry groups



1. This figure is adjusted for systematic biases in anticipated data (see footnote 2, table 4, for a description of methodology). The anticipation before application of such correction factors was \$49.16 billion; the figure for manufacturing was \$21.48 billion, and for nonmanufacturing, \$27.68 billion. While the adjustments are applied to each industry, the net effect in manufacturing is virtually zero; for nonmanufacturing the total has been raised about \$1 billion.

Reflecting advance preparations for 1965 capital programs, new orders for machinery and equipment in January continued their rising trend and were some 20 percent above the peak in the 1955-56 investment boom. These orders ordinarily lead plant and equipment expenditures by about two and sometimes three quarters. Their rising trend lends additional support to the projected spending rise, at least for the first half of 1965.²

The basic factors stimulating business investment have continued to be favorable thus far in 1965, even aside from the special influence from autos and steel in the recent period. Profits and cash flow are at record levels. Sales are currently at a peak and prospects generally appear good for this year. As sales have climbed to new high ground there has been some increase in the utilization of capacity. The lengthening of the workweek and the resultant increase in overtime hours

may be acting as a spur to costcutting investment.

The recently announced modification of the depreciation rules, postponing the application of the reserve-ratio test, may provide a further stimulus to investment since for a large number of firms after-tax profits in 1965 will be higher than originally estimated. Effects of the changes are probably not incorporated in anticipated spending plans as reported here. A large number of returns were received prior to the announcement, and most returns generally reflect budgets formulated earlier in the year.

Realization of investment programs

In each of the quarterly surveys of 1964 businessmen reported that they had spent more than they had previously planned, and also that they were raising their sights for the coming quarters. The result of these successive expansions in programs was a 14 percent rise in actual outlays in 1964 over 1963, in contrast to the 10 percent rise planned early last year. It was the largest upward revision since the 6 percent adjustment in 1955. In the intervening years the average difference (including both overstatements and understatements, without regard to sign) between anticipated and actual outlays was 1½ percent per annum.

All major industry groups spent more than initially planned in 1964, with nonrail transportation and mining firms showing the largest relative increases. Nonrail transportation firms, durable goods manufacturers and nondurable goods manufacturers each accounted for about one-fourth of the \$1½ billion upward revision. For both durable and nondurable goods manufacturing, actual sales increases last year were also larger than anticipated at the time the annual capital budgets were first reported.

Manufacturing Investment Programs

Manufacturers are planning to spend \$21½ billion in 1965—a rise of 16 percent from 1964. The expected increase in durable goods is 14 percent and in nondurable goods, 18 percent.

Most manufacturing industries have programed rising expenditures throughout 1965. Exceptions are electrical machinery and paper, which expect second-half outlays to be at about the first-half rate, and food and motor vehicles, which anticipate somewhat lower outlays in the latter half of the year.

Among durables, iron and steel and motor vehicle producers—the pace-setters in 1963 and 1964—continue with large expansion and modernization programs. The 10 percent rises in capital spending projected for this year are understandably more moderate than the very large increases of 36 percent and 42 percent last year. The major

Table 2.—Petroleum Industry Plant and Equipment Expenditures, by Function 1964 and Anticipated 1965.

	1964		1965	1964-65
	Anticipated	Actual	Anticipated	Percent change
	(Billions of dollars)			
Total.....	3.24	3.35	3.74	33
Production.....	1.74	1.90	1.90	-5
Transportation.....	.31	.17	.13	-21
Refining and petrochemicals.....	.60	.40	.64	66
Marketing.....	.43	.03	.70	11
Other.....	.11	.14	.22	56

Sources: U.S. Department of Commerce, Office of Business Economics, and Securities and Exchange Commission.

Table 1.—Percent Changes in Plant and Equipment Expenditures, 1961-65

	Actual			Anticipated
	1961-62	1962-63	1963-64	
All industries ¹	9	5	14	12
Manufacturing ¹	7	7	28	16
Durable goods industries ¹	13	13	20	14
Primary metals.....	1	17	21	17
Machinery.....	0	-1	19	19
Transportation equipment.....	15	22	25	8
Stone, clay, and glass.....	13	5	11	18
Nondurable goods industries ¹	3	2	17	19
Food and beverage.....	1	-2	9	11
Textile.....	23	5	17	35
Paper.....	6	(*)	29	12
Chemical.....	-3	3	22	24
Petroleum.....	4	2	14	13
Mining.....	10	-3	14	11
Railroad.....	27	30	27	15
Transportation other than rail.....	12	-7	24	8
Public utilities.....	-1	3	19	8
Communications.....	13	4	13	10
Commercial and other.....	12	5	3	

*Less than 0.5 percent.

1. Includes industries not shown separately.

Sources: U.S. Department of Commerce, Office of Business Economics and Securities and Exchange Commission.

producers of capital equipment—electrical and nonelectrical machinery—are scheduling investment increases of 24 percent and 17 percent, respectively, for 1965. The increase in electrical machinery follows 2 years of stable outlays. Nonelectrical machinery firms had shown little expansion in capital spending in the early years of the expansion, but increased expenditures sharply last year. In this connection it may be noted that orders for machine tools, which had given only a lackluster performance from 1957 to 1963, have risen sharply in recent months.

Among the nondurables, the chemical industry continues to show the sharpest rise in capital outlays. Textiles, petroleum, and paper are also extending their rapidly expanding investment programs into 1965.

Carryover of uncompleted projects rises sharply

The carryover of investment projects at the end of 1964, i.e., expenditures still to be incurred by manufacturers for projects already under construction or on order, totaled \$12.7 billion, or \$3.6 billion more than a year earlier. The increase in 1964 was more than twice that in 1963. Carryover rose during each quarter last year, with more than \$½ billion added during the closing 3 months.

Carryover as of December 31, 1964 represented nearly 60 percent of anticipated outlays for this year. The year-end 1963 and 1962 carryovers were 49 percent and 46 percent, respectively, of actual outlays in 1964 and 1963. In general the higher the ratio of carryover to anticipated expenditures, the more likely it is that the expenditures will be made, since carryover represents relatively firm commitments not so easily canceled or postponed as projects not yet actually started.

The total cost of new projects started in a given year equals the sum of that year's expenditures and change in carryover. New investment projects started during 1964 amounted to \$22.2 billion,

one-fifth larger than actual outlays during that year. Starts in 1963 were \$17½ billion—about one-tenth more than expenditures.

As can be seen in the chart, both durable goods and nondurable goods industries started new projects in both 1963 and 1964 in excess of their spending, so that carryovers rose in both years. The increases in carryover were larger in 1964 than in 1963. The nondurables, however, contributed substantially more to the overall rise in the 1964 carryover than did the durable goods group—a reversal of their relative positions in the preceding year. For example, soft goods producers increased carryover by \$2 billion last year compared with \$800 million in 1963. For durables the corresponding figures were \$1½ billion and \$1 billion. Each group accounted for about half of the starts in both 1963 and 1964.

Last year both steel and motor vehicle companies reported substantial increases in carryover. Each industry started new investment projects in 1964 with a total cost in excess of \$2 billion; actual spending in each case was just under \$1.7 billion. Non-electrical machinery firms substantially

increased their carryover in 1964 and started new projects to cost \$1¼ billion. Electrical machinery firms increased their carryover in 1964 in contrast to a slight reduction during the preceding year.

Among the nondurables, the largest increases in carryover during 1964 were reported by rubber, petroleum, and chemical companies. For the latter two groups starts amounted to \$4¼ billion and \$2½ billion, respectively, as compared with spending of \$3¼ billion and \$2 billion.

Nonmanufacturing Investment

Public utilities are programing expenditures of \$6.6 billion for 1965, an increase of \$350 million over 1964. If realized, 1965 expenditures would match the record set in 1957. Unlike investment in other industries, outlays by the utilities had declined moderately from the 1957 peak until mid-1963. Actual spending for 1964 was up 10 percent over 1963, and represented the first appreciable rise in 7 years.

All of the projected increase for 1965 is attributable to electric power companies; gas and other utilities are planning to spend about as much as in 1964. The increase programed by the electric utilities extends through this year. Data from *Electrical World* indicate that while the utilities expend to spend more this year for generating and local distribution facilities, the major expansion is in transmission investment, including long-distance lines, interconnections between systems, and extra-high-voltage line construction.

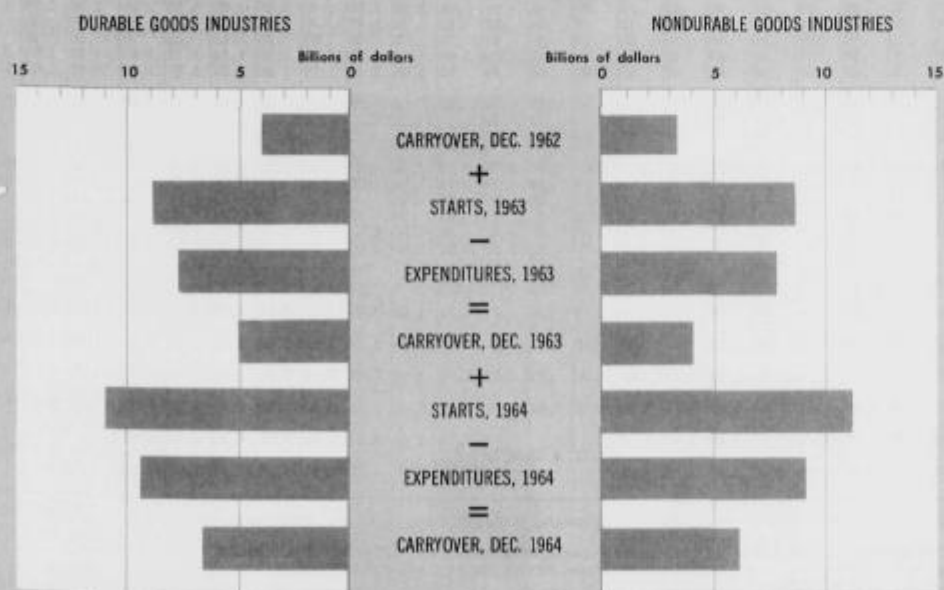
Transportation investment up sharply

Last year was a very strong year for investment by transportation companies. Both railroads and nonrail transportation firms increased expenditures for new plant and equipment by about one-fourth over 1963, to \$1.4 billion and \$2.4 billion, respectively. Further increases, to \$1.6 billion and \$2.6 billion, are planned for this year, with upward trends during the year indicated.

For the railroads, the anticipated level of spending for this year would match the records (measured in current dollars) reached in 1949 and 1951. The

**Carryover of Investment Projects
Rose During 1963 and 1964 as Starts Exceeded Expenditures**

CHART 5



Data: OBE-SEC
65-35

Table 3.—Carryover and Starts of New Plant and Equipment Projects, Manufacturing and Public Utilities
(Billions of dollars)

	Carryover ¹										Starts ²									
	1962					1963					1964					1965				
	Dec.	March	June	Sept.	Dec.	March	June	Sept.	Dec.	Dec.	March	June	Sept.	Dec.	Dec.	March	June	Sept.	Dec.	Dec.
	(End of period)										I	II	III	IV	Year	I	II	III	IV	Year
Manufacturing.....	7.21	8.51	9.04	9.18	9.08	10.39	11.36	11.88	12.65	4.63	4.30	4.13	4.47	17.56	5.20	5.41	5.29	5.37	22.17	
Durable goods ³	3.99	4.54	5.15	5.25	5.05	5.51	5.95	6.21	6.52	2.47	2.27	2.06	2.12	8.91	2.45	2.65	2.53	2.54	10.59	
Primary metals.....	1.06	1.07	2.06	2.27	2.28	2.30	2.00	2.09	2.74	0.63	0.61	0.64	0.45	2.22	0.60	0.77	0.53	0.84	2.08	
Electrical machinery.....	0.22	0.37	0.38	0.33	0.32	0.33	0.37	0.41	0.41	0.24	0.17	0.14	0.15	0.68	0.16	0.20	0.20	0.20	0.78	
Machinery excluding electrical.....	0.25	0.50	0.48	0.40	0.31	0.53	0.48	0.41	0.43	0.09	0.22	0.21	0.30	1.31	0.55	0.86	0.84	0.52	1.70	
Transportation equipment.....	0.87	1.10	1.40	1.37	1.26	1.48	1.63	1.80	2.02	0.55	0.70	0.39	0.45	2.09	0.49	0.63	0.77	0.78	2.06	
Stone, clay and glass.....	0.21	0.23	0.30	0.23	0.20	0.33	0.38	0.39	0.48	0.14	0.14	0.17	0.14	0.60	0.19	0.23	0.19	0.20	0.79	
Nondurable goods ³	2.23	1.78	3.85	2.94	4.03	4.78	5.31	5.68	6.01	2.20	2.03	2.07	2.35	8.64	2.61	2.76	2.68	3.13	11.17	
Food and beverage.....	0.34	0.42	0.42	0.38	0.41	0.42	0.40	0.40	0.51	0.20	0.20	0.20	0.29	1.04	0.25	0.24	0.27	0.42	1.15	
Textile.....	0.17	0.16	0.15	0.14	0.20	0.20	0.28	0.28	0.28	0.14	0.17	0.14	0.23	0.69	0.20	0.19	0.19	0.25	0.84	
Paper.....	0.55	0.53	0.55	0.61	0.59	0.61	0.79	0.77	0.77	0.30	0.31	0.34	0.28	0.85	0.18	0.40	0.23	0.29	1.11	
Chemical.....	1.03	1.01	1.01	1.11	1.05	1.20	1.30	1.61	1.66	0.84	0.90	0.95	0.85	1.01	0.50	0.60	0.72	0.71	2.52	
Petroleum.....	1.02	1.22	1.00	1.41	1.50	1.90	2.10	2.22	2.45	0.80	0.78	0.77	0.96	1.20	1.10	1.03	0.97	1.18	4.29	
Public utilities.....	6.97	6.13	6.44	5.58	5.46	6.20	6.17	5.48	5.65	2.10	1.67	1.78	1.48	6.04	1.98	1.54	2.24	1.81	6.51	

1. Carryover refers to expenditures yet to be incurred on plant and equipment projects already underway.

2. Starts are estimated by adding changes in carryover to expenditures during the given period.

3. Includes industries not shown separately.

Source: U.S. Department of Commerce, Office of Business Economics and Securities and Exchange Commission.

Table 4.—Expenditures for new plant and Equipment by U.S. Business, 1963-65

(Billions of dollars)

	Annual			Quarterly, Unadjusted												Quarterly, Seasonally Adjusted at Annual Rates												
				1963				1964				1965				1963				1964				1965				
				I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	
	1963	1964	1965 ¹																									
All industries.....	39.22	44.90	60.17	8.35	9.74	10.14	11.68	8.40	11.11	11.54	13.34	10.15	12.72	28.60	35.95	35.05	40.00	41.29	42.95	43.50	45.85	47.78	48.05	49.02	50.45			
Manufacturing industries.....	15.40	18.68	21.83	3.27	3.82	3.95	4.65	2.79	4.69	4.67	6.39	4.61	6.44	11.49	14.36	15.39	15.15	16.45	17.40	17.80	18.83	20.18	20.93	21.34	23.35			
Durable goods industries.....	7.54	9.43	10.71	1.02	1.08	1.06	2.31	1.33	2.30	2.37	2.23	2.30	2.70	5.71	7.34	7.68	8.00	8.30	8.95	9.80	9.50	10.15	10.00	10.60	10.85			
Primary iron and steel.....	1.34	1.69	1.88	0.23	0.30	0.33	0.34	0.40	0.42	0.44	0.39	0.43	0.44	1.04	1.06	1.15	1.30	1.40	1.50	1.60	1.65	1.90	1.59	1.83	1.90			
Primary nonferrous metal.....	0.41	0.48	0.60	0.09	0.10	0.12	0.11	0.09	0.11	0.13	0.15	0.18	0.18	0.27	0.40	0.40	0.45	0.40	0.40	0.40	0.55	0.60	0.60	0.60	0.70			
Electrical machinery and equipment.....	0.66	0.80	0.92	0.10	0.18	0.18	0.20	0.14	0.18	0.20	0.17	0.21	0.21	0.45	0.75	0.74	0.65	0.65	0.70	0.65	0.85	0.70	0.80	0.85	0.90			
Machinery, except electrical.....	1.24	1.64	1.62	0.27	0.30	0.28	0.39	0.33	0.40	0.41	0.43	0.47	0.62	1.20	1.14	1.20	1.40	1.40	1.45	1.65	1.75	1.80	1.85	1.80	2.00			
Motor vehicles and parts.....	1.00	1.31	1.07	0.19	0.28	0.28	0.28	0.37	0.43	0.47	0.38	0.44	0.66	0.80	1.03	1.10	1.10	1.24	1.30	1.05	1.30	1.35	1.55	1.60	1.65			
Transportation equipment, excluding motor vehicles.....	0.50	0.48	0.45	0.13	0.13	0.13	0.18	0.11	0.12	0.11	0.14	0.10	0.12	0.26	0.60	0.55	0.50	0.53	0.50	0.45	0.45	0.50	0.45	0.45	0.50			
Stone, clay and glass.....	0.61	0.68	0.63	0.13	0.15	0.17	0.14	0.17	0.17	0.17	0.19	0.16	0.22	0.43	0.60	0.55	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50		
Other durable goods ⁴	2.06	2.28	2.47	0.48	0.51	0.51	0.60	0.61	0.66	0.66	0.62	0.65	0.94	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29	1.29		
Nondurable goods industries.....	7.84	9.16	10.83	1.85	1.93	1.99	2.25	1.87	2.22	2.20	2.70	2.31	2.73	5.78	7.50	7.64	8.00	8.15	8.95	8.80	9.20	10.00	10.40	10.70	11.00			
Food and beverage.....	0.87	1.00	1.18	0.22	0.26	0.25	0.34	0.24	0.27	0.27	0.28	0.28	0.34	0.55	0.65	0.65	0.60	0.60	0.65	0.60	0.60	0.60	0.60	0.60	0.60	0.60		
Textile.....	0.84	0.70	1.02	0.16	0.16	0.15	0.17	0.14	0.18	0.20	0.25	0.20	0.20	0.55	0.65	0.65	0.60	0.65	0.65	0.60	0.60	0.60	0.60	0.60	0.60	0.60		
Paper.....	0.72	0.64	1.06	0.14	0.18	0.19	0.21	0.15	0.23	0.24	0.30	0.22	0.27	0.67	0.69	0.70	0.72	0.80	0.80	0.90	0.95	1.00	1.00	1.10	1.05			
Chemical.....	1.61	1.97	2.45	0.36	0.40	0.39	0.47	0.37	0.47	0.50	0.53	0.61	1.30	1.60	1.60	1.60	1.65	1.65	1.80	2.05	2.25	2.35	2.40	2.50	2.60			
Petroleum.....	2.62	3.30	3.70	0.40	0.70	0.77	0.87	0.70	0.84	0.88	0.90	0.78	0.92	2.10	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30	2.30		
Rubber.....	0.24	0.27	0.33	0.06	0.08	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.07	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.18		
Other nondurable goods ⁴	0.73	0.69	1.00	0.10	0.10	0.13	0.23	0.15	0.20	0.19	0.23	0.22	0.26	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23	0.23		
Mining.....	1.84	1.13	1.31	0.24	0.26	0.27	0.28	0.28	0.29	0.30	0.33	0.38	0.34	0.70	1.05	1.00	1.05	1.05	1.10	1.15	1.20	1.30	1.30	1.30	1.30	1.35		
Railroad.....	1.10	1.41	1.62	0.31	0.38	0.39	0.33	0.32	0.35	0.37	0.36	0.42	0.42	0.79	0.94	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00		
Transportation, other than rail.....	1.82	2.28	2.57	0.39	0.54	0.45	0.64	0.53	0.63	0.59	0.64	0.56	0.78	1.34	1.70	2.05	1.95	2.10	2.30	2.25	2.40	2.60	2.60	2.70	2.80			
Public utilities.....	6.03	6.22	6.54	1.44	1.40	1.50	1.61	1.18	1.63	1.77	1.78	1.25	1.64	2.38	2.38	2.45	2.40	2.50	2.55	2.60	2.60	2.60	2.60	2.60	2.60	2.60		
Communication.....	1.70	4.36	10.58	0.35	0.85	0.89	1.06	0.97	1.30	1.04	1.17	0.74	4.15	6.75	18.65	3.65	3.25	3.25	4.05	4.05	4.20	4.40	4.40	4.40	4.40	4.40		
Commercial and other ⁵	10.02	10.81	16.58	2.26	2.41	2.54	2.72	2.27	2.62	2.64	3.01	2.74	4.15	6.75	9.65	9.65	10.25	10.45	10.45	10.45	10.45	10.45	10.45	10.45	10.45	10.45		

1. Data exclude expenditures of agricultural business and outlays charged to current accounts.

2. Estimates are based on anticipated capital expenditures reported by business in February 1964. The estimates for the first quarter, second quarter and second half of 1965 have been adjusted when necessary for systematic tendencies in anticipatory data. The adjustment for each industry and time period is based on the median ratio of actual to anticipated expenditures for the past 5 years. However, no adjustment is made unless the anticipations have shown a bias in the same direction in at least 4 of the last 5 years and in at least two-thirds of all years since 1954. The only departure from this procedure is in the estimate for retail trade (in the second half 1965) where the sample may be inadequate and the suggested correction factor would yield an unusually large and unlikely figure.

3. Includes fabricated metal, lumber, furniture, instrument, ordnance, and miscellaneous industries.

4. Includes apparel, tobacco, leather, and printing-publishing.

5. Includes trade, service, finance, and construction.

NOTE.—Details may not add to totals due to rounding. Data for earlier years were published in the June 1959, March 1963, 1966, 1961, 1962, 1964, and 1964 issues of the Survey of Current Business.

Source: U.S. Department of Commerce, Office of Business Economics, and Securities and Exchange Commission.

resurgence in railroad investment has been reflected in advances of more than one-fourth in each of the past 3 years. During this period increases have centered in the purchase of new equipment, but for 1965, the relative increase planned for construction is greater than that for equipment purchases. It is of interest to note that shipments of freight cars have risen from 36,000 in 1962 to 46,000 in 1963, and 69,000 last year. Installations by the railroads have been more than offset in number (but not in quality), by scrappage: the number of freight cars owned or leased by Class I railroads was 4 percent lower at the end of 1964 than 2 years earlier.

Among other transportation industries, airlines and trucking firms are planning further substantial increases in investment for 1965, which more than offset a decline in projected spending by pipeline companies. In air transport, the relative increases in spending are larger for feeder lines than for trunk lines, and reflect a catching-up on purchases of jet planes by the former group.

Communications and commercial firms as a group are projecting a 10 percent increase in 1965 expenditures

over 1964. The planned increase is about the same size as the actual advance in 1964, and extends to all major industries, with retail investment in the forefront.

Reports by mining companies show that increases in investment have been scheduled by all component industries from 1964 to 1965, and within the year as well. The largest relative year-to-year advances are expected by non-ferrous metal and coal mining firms.

Sales Rise Expected To Continue

Manufacturing, trade, and utilities companies are expecting their sales to rise from 1964 to 1965 about as much as they did in the previous 2 years (see chart). As noted earlier, the anticipated increase is 6 percent for manufacturing. At this time last year a similar advance was expected, with the actual rise turning out to be 7 percent. The 5 percent rise expected by trade firms for 1965 is a little lower than both the projection and the actual increase for 1964. Utilities are thinking in terms of a 5 percent sales gain for 1965; actual sales rose 6 percent from 1963 to 1964, as compared with an anticipated 5 percent improvement.

When the annual expectations for manufacturing and trade on an overall basis are compared with the high sales rates in early 1965 (rather than with those for 1964), they imply only slight further advances during this year. While most manufacturing industries expect additional sales gains over current rates, these advances are largely offset by steel and motor vehicles, where the expectations for the full year 1965 are lower than the abnormally high January 1965 seasonally adjusted annual rates.

Table 5.—Business Sales, Actual and Anticipated, 1963-65
[Percent change]

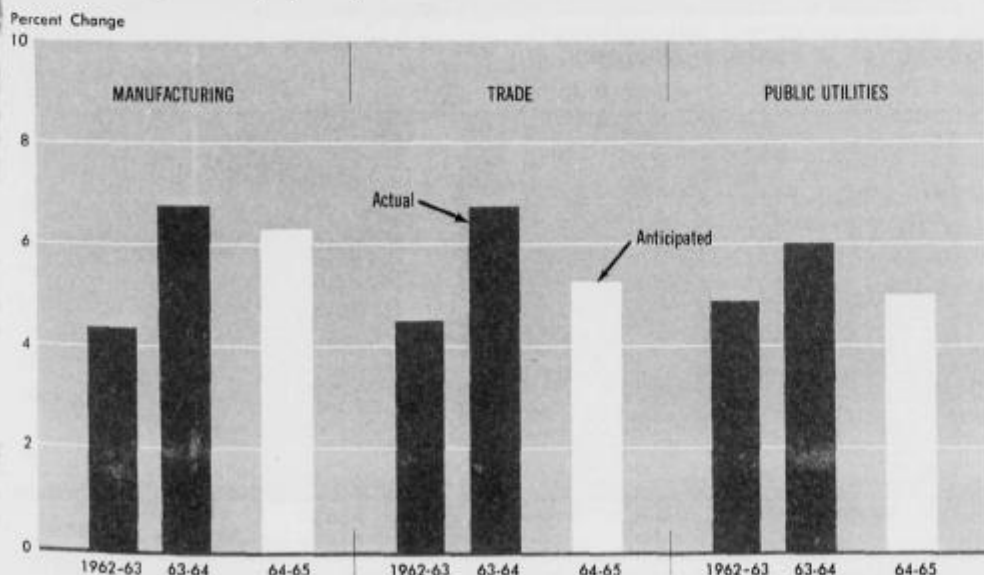
	1963-64		1964-65
	Anticipated	Actual	Anticipated
Manufacturing industries ¹	6	7	6
Durable goods industries ¹	6	6	7
Primary metals.....	4	10	3
Electrical machinery.....	6	5	9
Machinery, except electrical.....	8	11	12
Transportation equipment.....	4	2	4
Stone, clay and glass.....	7	1	7
Nondurable goods industries ¹	5	7	6
Food and beverage.....	5	8	6
Textile.....	6	8	7
Paper.....	7	5	3
Chemical.....	5	9	8
Petroleum.....	3	4	3
Trade	6	7	5
Public utilities	5	6	5

1. Includes industries not shown separately.

Changes In Sales—Manufacturing, Trade, and Utilities

CHART 6

• Further improvement projected for 1965



Business Situation

(Continued from page 2)

in the final quarter of 1964, \$1½ billion less than in the third quarter, according to preliminary estimates. Book profits, which include gains due to inventory price increases, amounted to \$57½ billion, ½ billion below the third quarter. The decline, the first in seven quarters, reflected a sharp drop in the profits of the auto industry as a result of the strikes. Changes in other manufacturing industries were mixed, while most nonmanufacturing industries reported small gains.

For the year 1964 corporate pre-tax earnings adjusted for inventory gains or losses reached an alltime high of \$57¼ billion, \$6½ billion above 1963. All major industry groups contributed to the year-to-year gain.

Estimates of corporate profits for the fourth quarter and for 1964 based on more complete data will appear in next month's SURVEY.